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RUEHKO/AMEMBASSY TOKYO 3628  
RUEHIT/AMCONSUL ISTANBUL 4318  
RUEKJCS/JOINT STAFF WASHDC  
RUEAIIA/CIA WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
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RHEBAAA/DEPT OF ENERGY WASHDC  
RHEHNSC/NSC WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/SECDEF WASHINGTON DC  
RUCNDT/USMISSION USUN NEW YORK 1375  
RUEHVEN/USMISSION USOSCE 4254

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000015

SIPDIS

STATE FOR SCA/CEN; EEB  
ENERGY FOR EKIMOFF/BURPOE/COHEN  
COMMERCE FOR DSTARKS/EHOUSE

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SUBJECT: TURKMENISTAN: LOTUS ENERGY PLANNING TO EXPAND

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

11. (C) SUMMARY: Turkish-based Lotus Energy continues to seek lucrative energy sector deals with the Government of Turkmenistan. Lotus Energy's founder and CEO Erdal Celik was the first CEO of the Turkish energy company Chalyk Energy, but left Chalyk in 2005 over differences with the company's high profile owner Ahmet Chalyk. He then founded Lotus Energy in 2007 by cultivating contacts he had made while at Chalyk Energy. For now, Lotus Energy operates exclusively in Turkmenistan and has landed six high value contracts with the GOTX. Lotus's CEO asserted that the tender processes for its contracts were transparent, admitting that he was well connected with Turkmen government officials at very high levels. In addition to expanding its presence in Turkmenistan, the company plans to move into other neighboring markets and the Middle East, given its success in Turkmenistan. Lotus also owns a U.S.-based subsidiary Ceka Energy, and has plans to eventually move Ankara-based Lotus Energy to the United States. END SUMMARY.

12. (C) Lotus Energy's founder and CEO Erdal Celik met with EconOff on January 5 to discuss the company's business strategy and success in Turkmenistan. Celik asserted that he basically founded the Turkish energy company Chalyk Energy and became the company's first CEO in 1995. He stated that the Turkish billionaire Ahmet Chalyk started to become more politically-minded than business-minded and that "politics were clouding his judgment." According to Celik, he left Chalyk Energy in 2005 on good terms with his business partner, but other reports indicate that Celik was fired. Celik noted that he received his Master's degree in international finance and management from Arizona's Thunderbird School of Management, and as a result had a more western approach to business than Chalyk. He insisted that he and Chalyk remain friends, citing "business is business," but noted that Chalyk continues to try to push Lotus Energy out of Turkmenistan.

13. (C) Celik recounted that when he left Chalyk Energy in

2005, former President Niyazov had made Ahmet Chalyk his closest business advisor, and as a result, Celik saw no opportunities in Turkmenistan until Niyazov died at the end of 2006. By 2007, according to Celik, many of his closest contacts in the Turkmen government had risen to deputy minister or minister level positions under President Berdimuhamedov, thus opening the door for Celik to create Lotus Energy. Celik noted that the company is an engineering, procurement, and construction (EPC) company that specializes in energy sector projects. Since 2007, Lotus Energy has won six contracts in Turkmenistan totaling more than \$780 million for a company with about 2,000 employees. He described the tender processes for the contracts as "above board," noting that from the announcement of a tender to the time when his company began to dig, the process took about 6 to 8 months, depending on the scope of the project. The company's largest projects to date include: the construction of the 254 MW electric power plant just outside Ashgabat that has a price tag of \$172 million, and a 254 MW electric power plant in the Avaza Tourist Zone on the Caspian Coast for \$271 million.

14. (C) According to the Lotus Energy CEO, the company's success in Turkmenistan in just a couple of years has fueled plans to expand into markets, including Russia, Kazakhstan, Saudi Arabia, and Kuwait. The company also opened a U.S. subsidiary in Houston called Ceka Energy, which also focuses on EPC projects within the energy sector. Celik, who specialized in acquisitions and mergers during his graduate studies, hopes to either merge Lotus Energy or have it be acquired by a larger U.S. company as early as 2014. In the

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meantime, he added that Ceka Energy plans to join the U.S. Turkmenistan Business Council with the hope of serving as a middleman service company for large U.S. firms hoping to do business in Turkmenistan.

15. (C) COMMENT: Lotus Energy emerged in Turkmenistan almost overnight as a result of close, high-level government ties that the company's CEO had nurtured for over 10 years, albeit while working at his former company Chalyk Energy. Despite attempts by its competitors to push Lotus Energy out of Turkmenistan, the company plans expansion. Although Celik did not admit that Lotus Energy has had to "sweeten deals" with government officials, he did say that doing business in Turkmenistan was "nontransparent," and that only foreign companies with a "clear understanding of Turkmen business culture" could succeed. Celik was confident that Turkmenistan would continue to open its fledgling markets to foreign investment, but the GOTX would only partner with companies that demonstrated a long-term commitment to Turkmenistan. END COMMENT.  
CURRAN